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~~Communist China's~~ ^{File} ~~Involvement~~ ^{of Communist China} in the Illicit Opium Trade

20 August 1956

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THE INVOLVEMENT OF COMMUNIST CHINA IN THE ILLICIT OPIUM TRADE

SUMMARY

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Consumption
of opium
and its derivatives
equivalents

There is no reliable evidence indicating that the government of Communist China either officially permits or ^{actively} engages in the illicit export of opium or its derivatives to the Free World. There is also no reliable evidence of Communist Chinese control over the lucrative opium trade of Southeast Asia and adjacent markets. ^{There is evidence} Indicators exist, however, that small quantities of raw opium produced by minority tribespeople in Yunnan Province, ^{Communist} China, move over the Burmese border. The annual earnings ^{of Chinese} to the Communist Chinese tribespeople from such sales ^{is} would probably not exceed \$500,000 per year. ^{Currently,} Communist China ^{is} attempting to win the favor of the Yunnan border tribespeople and it may be that ^{Communist China} it permits small-scale violation of its strict antiopium program, because of political expediency.

The principal opium-producing areas in the Far East are in Burma and Laos. The production of opium in these countries, ^{in addition to production} coupled with ~~Thai pro-~~ in Thailand, duction, is sufficient to supply the great mass markets of Burma, Thailand, and Indochina and to provide a further export potential of the equivalent of 150 ^{metric} tons of raw opium a year. ^{***} This export moves principally through Thailand and to a lesser extent through Burma to markets in Malaya, Hong Kong, and Macao. ^{Consumption} Estimates and seizure reports indicate that exports

domestic consumption probably do not exceed the

** Dollar values throughout this memorandum are given in terms of US dollars.

the remainder approximately ^{which} rded and part moves to other

through Hong Kong and Singapore.

*** Estimates of consumption and ^{export figures} reports of seizures are given in terms of ~~raw~~ raw opium equivalents throughout this memorandum.

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The governments of Burma, Thailand, and Laos either explicitly or tacitly permit the production of opium by the minority tribespeople. These governments have only nominal control over the majority of these tribespeople and attempts to suppress opium production very likely would result in strenuous resistance. Furthermore, these tribes traditionally have relied upon the sale of their opium crop as a source of cash income, and a ban on its production would work an economic hardship on these people.

The principal profits, however, from opium are not earned by the producers but by the opium traders, middlemen, and government officials. For example, reliable price data indicate that the Burmese producers realize less than \$1,500,000^{million} for the 90 tons of Burmese opium which transits Thailand annually. This same quantity of opium in Bangkok is worth approximately \$9,500,000^{million, when delivered}; and, landed in foreign markets like Singapore, its wholesale value ^{has} increased to almost \$25,000,000^{million}. This large increase in value illustrates the lucrative profits earned by the traders, the middlemen, and the opium runners, and the bribed government officials involved in the opium trade. This trade is substantially in the hands of private traders motivated by profit considerations and not by ideological goals. Southeast Asia^{of} opium is exported, in raw, crudely processed, or in a relatively highly refined form. In the estimates mentioned above, morphine, heroin, and other derivatives have been converted to raw opium equivalents. There are several refineries located in Thailand near the Thai-Burmese border,

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³
^{believed}
and it is ~~thought~~ that the majority of the morphine and other refined forms
^{which move}
~~moving~~ through Thailand is processed in this area. Other refineries are

located in the major market and transit areas. For example, in 1955, there

were four known refineries operating in Macao and extensive clandestine

^{for refining}
morphine and heroin refinery facilities existed in Hong Kong.

~~North and South Asian~~ ^{are known to have} countries, also supplied significant quantities

^{of the Near East and South Asia}
^(including)
of opium to the world's illicit markets, even those in Southeast Asia. For

example, it is estimated that in 1955, Malaya received 50 tons of opium

from Iran and 12 tons from India. The Near East and South Asia, however,

^{constitute}
is also a major consuming area and consumes far more than ^{they} it exports.

Minor markets exist in other areas of the world. These are supplied

^{markets}
with opium produced in Southeast Asia and in the Near East and South Asia.

~~production~~ The European and African opium traffic situation has been

characterized by the ^{Commission on Narcotic Drugs} United Nations Narcotic Commission as "not important".

The North American market appears to be supplied with opium from ^{principally} ~~the~~ ^{Monroe}

~~the Near East and South Asia~~ and with opium from Mexico.

^{structures}
There appears to be ~~the~~ production of opium more than

adequate to meet the demands of the two great opium-consuming areas, and

in view of the extremely limited foreign exchange which Communist China

might earn from the production of opium, ^{Chinese Communist} its official participation in such

production is unlikely. Trade and refinery processing appear to be in the

hands of non-Communists, and Communist China ^{does not appear to have any effective} control of opium trade and

^{over individuals engaged in these activities.}
processing seems also to be unlikely.

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I. Introduction.

Smuggling of goods in the Near^{East} and Far East is a commonly accepted trade channel. Border areas are in some cases poorly defined, and in extreme cases exist only as a line on a map. ~~In those cases where they~~
^{Even} ~~are well-defined,~~ ^{Indonesian} they are often poorly guarded. Custom officials, military authorities, and police enforcement officers customarily supplement their low salaries by accepting bribes from smugglers or actually engage in smuggling themselves. Central governments hesitate to enforce laws which would change traditional trading customs and provoke the hostility and resentment of semi-autonomous minority ethnic groups. Under these conditions, smuggling flourishes.

One of the commodities most frequently smuggled is opium. Opium in these regions is more than a narcotic; it is a medium of exchange and a store of value. The governments of Asia in general do not regard the use of opium with the same abhorrence that Western governments do. One official Southeast Asian view of production and traffic in narcotics was voiced by the Burmese government to the United Nations Opium Conference in 1953 when it commented as follows on a proposed protocol to limit and regulate the cultivation of the poppy plant: " ~~It~~ ^{It} in the Shan State and the Kachin State ~~the~~ the hill tribes find it an economic necessity to cultivate poppy for their own consumption, beside striking a favorable balance in their barter trade in which they have been traditionally engaged from time immemorial.

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The prohibition of poppy cultivation in these areas has all along been a difficult problem, as poppy is a cash crop in these areas." ^{1/1} Quite Recently, the ^{Abdul} ~~Federation of Malaya~~ Chief Minister, ^{Tengku Abdul} Rahman, called for a return to the prewar system of registering known addicts and permitting them certain prescribed amounts of opium. One of the reasons advanced by the Chief Minister for the legalization of opium smoking was that revenues of approximately US \$165,000 yearly would accrue to the government. It should be noted, however, that the ^{of the} ~~Chief Minister~~ proposal was greeted ^{by} with a storm of criticism. ^{2/}

^{3/} ~~Narcotics~~ ^{addition} in the Near East ⁱⁿ and parts of the Far East is extensive, and, because trade in narcotics generally is officially prohibited, there is a large and lucrative illicit trade. As an illustration of the profits involved in this trade, it is estimated that, in the Malayan area, with a population of less than ⁶ ~~six~~ million, there are 115,000 opium smokers and an estimated yearly consumption of illicit opium of approximately 100 tons. The wholesale price for this quantity of raw opium amounts to approximately ~~US~~ \$37 million. ^{3/} The price paid to the producers, however, ^(see Table 1** for prices paid to opium producers.) amounted to only about ~~US~~ \$2 million. The rest accrued to the opium

^{and} "syndicates", ^{to} "runners" and government officials.

The above introductory remarks indicate ~~in a general way the~~ complex motivations ^{which} encourage, condone, and sustain the production and trade of narcotics in the Near ^{East} and Far East. In order to appraise ~~Communist China's~~

^{below.} ** Part III, Table 1, page 14 of this report lists data on prices paid to opium producers.

* For serially numbered source

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of Communist China,
the probable involvement in this trade, it is necessary to determine as carefully
as data permit the amount of illicit narcotics furnished the principal
markets by the several suppliers. This approach serves to place in
perspective the extent of *the* Communist China's probable involvement, through
1955 with that of the other major suppliers. Accordingly, this *memorandum* report
presents available data on production and illicit traffic for each of the
major markets.

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II. Communist China's Involvement in the Illicit Opium Trade of the Free World.

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There are numerous reports [REDACTED] ^{from} the

popular press stating that Communist China is officially and substantially involved in the international illicit opium trade. From an examination and evaluation of these reports and ^{from} a survey of the Southeast Asian and other World opium markets it would appear that the majority of these reports have little factual basis.

There are, indeed, indications that opium is not being produced on an extensive scale in Communist China. These indications are ^{as follows:}

1. Communist China has apparently waged an intensive campaign against opium production, trade and addiction. A series of articles appearing in Communist Chinese newspapers and magazines (including those in opium-growing areas) ^{has} detailed the progress of this campaign. ⁵¹

2. A complete lack of reliable reports on extensive production of Communist opium in China.

~~3. The reported severe shortage of narcotics for medical use in Shanghai.~~

^{of the Soviet Bloc}
3. 4. Reports that other ~~Bloc~~ countries have been buying opium from the Free World, possibly indicating that ^{Communist} China has inadequate production to supply such markets. ²⁶

Although Communist China has apparently been successful in curtailing opium production and trade, it is reported that small amounts of opium are still being grown in Yunnan along the Burmese border. In these areas the Kachen, Wa, and Lisu ethnic groups live on both sides of the rather poorly defined border. ^{8/1} Among these groups several tribes engage in the growing of

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opium ^{poppies} as a major occupation. ~~Thus, in~~ ^{poppies are} such settlements, opium ~~is~~ grown on the Chinese ^{Communist} as well as ^{on} the Burmese side of the border. In Burma, the authorities have either explicitly or tacitly permitted the growing of opium ^{poppies} by these groups on the grounds that it would work undue hardships to ban this major cash crop unless the tribes could be persuaded to grow other cash crops. ^{10/8} Moreover, control over these tribes on the Burmese side, and perhaps on the Chinese ^{Communist} side as well, is nominal. It is reported that the ~~Communists~~ ^{H.C. Communists to} (met with such resistance from Chinese Kachen tribes) when ^{they} attempted to ban opium production ^{they} that they permitted this activity to continue. ^{10/9}

There appears to be no precise way to measure the quantities of opium which move from Yunnan to Burma. There are, however, several indications that such amounts are small. From a 1950 ethnic study of the area it is known that the majority of the opium-producing tribal groups mentioned above are physically located in Burma rather than in ^{Communist} China. ^{10/10} Furthermore, it is reliably reported that the bulk of opium exported from Burma is actually of Burmese origin. ^{10/11} ✓

The identity of the Yunnan opium so reported becomes lost because it is intermingled with Burmese opium. However, the Singapore Central Narcotics Intelligence Bureau whenever possible reports the suspected origin or source of supply of seized narcotics, and in 1955, ^{about} ~~some~~ 20 percent of its total seizures of raw opium were classified as ^{" "} Yunnan opium. ^{10/12} The Singapore authorities state that the term Yunnan opium is used to designate opium

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received through Thailand and probably consists of opium produced in Burma,
Yunnan, Thailand, and Laos. They state, however, that they have no evidence
that this opium is produced in Communist countries.

However, if the opium termed "Yunnan" by the Singapore authorities
and imported at an estimated annual rate of 20 tons was in fact produced
totally in Yunnan, the Chinese tribespeople would only receive \$300,000 for
the entire export. The price of Burmese and Yunnan opium is reported to be \$15,000
a ton at the producer level. In fact, the total amount received by the
producers of the Burmese export crop would not exceed \$2 million. If the
extreme assumption is made that 25 percent of Burmese export was of Yunnan origin,
possible foreign exchange earnings by the Chinese tribespeople from such
sales of opium in 1955 would not exceed \$500,000.

The lucrative profits in the illicit trafficking of opium and its
derivatives are earned not by the opium producers but by the various processors
and middlemen. Especially profitable is the marketing of morphine and heroin.
An examination of narcotics markets in Southeast Asia, Malaya, Macao, and
Hong Kong failed to identify official Chinese Communist involvement. On the
contrary, substantial evidence exists that this market is dominated by
non-Communist groups.

Some idea of the possible involvement of Communist China both in the
adjacent Southeast Asian and in other world markets can be obtained from
the Annual 1955 United Nations Narcotic Commission Report. A total of
this opium was classified as "Thailand" opium. This classification is,
of course, as misleading as the term "Yunnan" opium.

*In earlier years this opium was classified as "Thailand" opium.
** P. , below.
*** The relative earnings of producers and middlemen are given in Section III, below.

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211 opium seizures by suspected country of origin is listed in this report, and only in one case was Communist China reported as the country of origin of the drug. The reporting country was the United States, the seized drug, heroin, was less than 3 percent of total U.S. opium seizures reported, and the case involved a shipment from Hong Kong. Hong Kong authorities, however, as recently as the ^{spring} ~~summer~~ of 1956, stated that they have no evidence that opium or opium derivatives of Communist Chinese origin enter Hong Kong. 12/16

It is not only possible but also probable that ~~individual~~ Communists and Communist sympathizers of Chinese extraction/engage in individual and perhaps even ⁱⁿ group efforts to profit from the lucrative opium trade. One of the reasons given for the recent crackdown by the South Vietnamese government on opium dens was that ^{the opium dens} ~~they~~ were a source of funds for the activities of North Vietnam ^{agents}. 12/17 The racial group most heavily involved in the local distribution of opium in Southeast Asia and also the racial group most heavily addicted to its use are the Chinese. Although no evidence of blackmail of these groups by Communist Chinese agents is available, this possibility always exists. It is also probably that profits so earned would be used to finance Communist objectives. A local Japanese Communist Party group reportedly engaged in such activity in the early ¹⁹ ~~19~~ ¹⁹ ~~19~~ 50's. There is, however, no evidence indicating that such involvement is substantial or systematically directed by Communist China.

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Thus ¹ it is concluded that Communist China is not involved in an extensive export of opium or opium derivatives to the countries of the Free World. Communist China, furthermore, does not engage in the lucrative opium trade in the Free World. The principal sources of opium and derivatives for illicit Free World markets are described in the following sections.

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Opium

III. Opium-Producing Areas and Markets in the Far East.

~~Section II of the memorandum.~~ ^{believed}
~~In the previous section of this report, it is concluded that Communist~~

China (is probably) involved only to a very minor extent in the illicit opium
 (see II, above).

traffic in the Far East. There are, on the other hand, many indications

that non-Communists are substantially involved in this trade. ~~In this~~

~~section,~~ Some of the major aspects of this involvement are discussed.

I. A. Burma.

There are no official estimates of ^{the} annual ^{of opium} opium production in Burma.

Although tribes of the Akha, Kachin, Lahu, Lisu, Shan, and Wa groups

traditionally produce opium, the number of people involved in the production

of opium and the acreage planted to ^{opium poppies} ~~poppy~~ ^{is} is not known. The government of

Burma freely admits that substantial quantities of opium are produced in

the areas where these groups live but has never released an estimate of

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annual production. ^{20/19} [REDACTED] the majority

of opium exported from Burma originates in the Shan State. ^{21/20}

From available information on domestic consumption and exports it is
 possible to estimate tentatively ^{that the} Burma's annual production ^{of opium in Burma is} ~~to be at least~~ ^{150 tons.}

^{it is} ~~An~~ estimated 60,000 opium addicts, concentrated principally in the

producing areas and in the Bhamo and Myitkyina districts, consume ~~an~~

^{21/21 *} estimated 30 tons of opium a year.

^{from Burma to overseas markets, after traveling through}
 Opium is exported ~~both~~ by sea from Rangoon and ~~by land into~~ ^{to} Thailand, from Bangkok.

^{It is} ~~An~~ estimated 30 tons ^{that} ~~were~~ exported from Rangoon in 1955. This estimate is

^{The} ~~* estimate~~ ^{is} ~~derived by assuming that Burma's annual~~ ^{consumption is similar to that of the} ~~consumption~~ ^{of the} ~~is~~ ^{50 centigrams a year.} ~~is~~ ^{a Burmese addict}

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based upon the following considerations: (a) ^{it is estimated that} an ~~estimated~~ 12 tons were exported
(see Table 4) to Singapore and Malaya in 1955 from Burma, and (b) Rangoon is ¹one of the ²two
principal supply ports for the Hong Kong and Macao markets. The opium
traffic from Burma to Thailand is much larger than the shipments from Rangoon
and is estimated to amount to approximately 90 tons. ***

It is ~~quite~~ probable that large stocks of opium are hoarded by the
producers. One possible indication of such stocks is furnished by the
offer of a Thai firm to sell 200 tons of opium. ^{27/26} The source of this quantity
of opium has never been satisfactorily explained by the firm; however, the
most logical assumption ^{however} is that large quantities have been hoarded in the
Burmese producing areas.

The collection of opium from the producers is in the hands of officials
and ruling class of the Shan State, the officials of the Wa and Kengtung
States ^{particularly} are reportedly very heavily involved. ^{mt} Opium is then carried by
caravans of Yunnanese traders who are called "Haws". The "Haws" are refugees
from Yunnan. It was estimated in mid-1954 that approximately 1,500 of
these people were scattered in small groups in tribal villages in Amphur
Fang, Thailand. ^{23/22} Burmese army officials reportedly are involved in this
trade both as armed escorts for the protection of the opium runners and also
as independent traders. ^{25/24} An early 1955 report indicates that Thai military
airplanes were flying into Muang Pong, Burma, and carrying opium back into
Thailand. ^{26/25}

* See Table 4, P. 24 P. below.

** See P. 24 See 5, P. below.

*** the derivation of this ^{is given in appendix A, P. 4} information
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Price data indicates that the value of the ^{of opium from Burma,} ~~Burmese exports~~ to Thailand

is as follows: ^{is} ~~one~~ given in Table 1.

Table 1
Exports of Opium from Burma to Thailand
Value of Estimated 90 Metric Ton Burma-Thailand Opium Trade at Various
Stages of Transport, Burma and Thailand, 1955

<u>Transport Stage</u>	<u>Value in Wholesale Prices (U.S. dollars)</u> (Thousand U.S. \$)
Producers	1,350,000
Rangoon ^{Kengtung} Namtu (Burma)	3,900,000
Burma-Thai border	5,310,000
Chiang Mai, (Thailand)	6,840,000
Bangkok, Thailand	9,540,000

a. Estimated to be 90 metric tons.

b. ~~27~~ ^{million} In addition to the \$1,350,000 received by the producers for the opium

moving to Thailand, the producers ^{would} also receive ~~an additional~~ \$450,000

for the 30 tons exported from Rangoon. Assuming ^{that a total of} ~~a further~~ \$200,000 is

earned by the supply ^{of} ~~of~~ opium to consumers in the domestic markets (part

of the domestic supply is consumed by the producers), the Burmese tribal

groups ^{would} ~~would~~ probably not earn more than \$2 ^{million} ~~000,000~~ annually from the sale

of opium.

The profits to the Burmese groups involved in the clandestine trade

would be considerably more than the amounts realized by the producers.

From Table 1 it appears that 90 tons of opium at the Thai-Burma border is

valued at \$5,310,000. If it is assumed that opium at Rangoon is valued at

the same price as at Bangkok, the 30 tons reported by this route would have

a value of \$3,180,000. The middlemen, bribed government officials, and

runners thus would earn approximately \$6,700,000 ^{million} for their services.

^{This} sum is the difference between the \$1,050,000 paid the producers and the \$1,490,000 received by the Burmese middlemen.

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2. B. Thailand.

Opium is smuggled from Burma to the following places in Thailand:

^{Ban} Chiang Dao, ^{Chiang} ~~Chiang~~ Mai, ^{Chiang} ~~Chiang~~ Mai, ^{Muang} ~~Muang~~ Fang, ^{Ban} ~~Ban~~ Suai, ^{Muang} ~~Muang~~ and ^{Lampang} ~~Lampang~~.

The main collection points are ^{Chiang} ~~Chiang~~ Mai, ^{Chiang} ~~Chiang~~ Mai, and ^{Lampang} ~~Lampang~~, from ^{which} ~~where~~ points ^{whence} ~~where~~ it moves by rail or by road to Bangkok. Laos ^{opium} ~~opium~~ moves from

^{Prabang} ~~Prabang~~ to ^{Nan} ~~Nan~~ and ^{Uttaradit} ~~Uttaradit~~. There is also a small export from other towns in the ^{Laos} ~~Laos~~ producing areas to Thai towns across the border.

Small quantities of opium are also produced in Thailand. The main regions of opium cultivation ^{lies} ~~lies~~ along the side of the ^{Tenasserim} ~~Tenasserim~~ Range

on the Thai-Burmese border in the northwest, in the area west of Tak, in

^{Hong Son} ~~Hong Son~~, and north of ^{Chiang} ~~Chiang~~ Mai from ^{Chiang} ~~Chiang~~ Mai to Nan. There are

approximately 15,000 to 20,000 people of the Meo, Musso (Lahu), ^{Lisu} ~~Lisu~~, and

Yao tribes who are the principal cultivators of opium poppy. It is ^{thought} ~~thought~~

that ^{raw} ~~raw~~ opium production may amount to approximately 25 tons a year.

The annual consumption of opium in Thailand is estimated at 30 tons,

of which 17 tons are supplied ^{from} ~~from~~ legal channels and the ^{other} ~~other~~ 13 tons

^{are} ~~are~~ supplied by illicit channels. The Thai government stocks have been

built up over the years by seizures ^{and} ~~and~~ purchases from foreign countries

and are not drawn from current production. It is believed that the Thai

^{opium} ~~opium~~ production is sufficient to supply the illicit domestic consumption

and ^{to} ~~add~~ ^{about} ~~some~~ 10 tons a year to the transit trade.

Police, Army, and government officials and "opium kings" are the principals involved in an annual estimated ^{120-ton} ~~120-ton~~ transit opium movement ^{of 120 tons} ~~of 120 tons~~.

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through Thailand. Police officials are bribed to protect the smugglers.

One report states that the Thai police purchase and transport opium from

the Burma border to Bangkok. It is also reported that Thai Army and Air

Force personnel are involved in large-scale ^{operations in} ~~opium~~ purchasing and smuggling

operations. In early 1956 there was a sensational seizure of 20 tons of

opium. Allegedly involved in this large-scale smuggling effort were the

Thai Police Director, the Minister of the Interior, the Director-General

of the Excise Department, and five other highly placed Thai officials.

The 20 tons of opium were purchased for Hong Kong buyers. Remnants of the

Kuomintang ^{reportedly} are also ~~engaged~~ engaged in the trade.

There are approximately 30 Chinese "opium kings" in Thailand. These

dealers finance a considerable part of the trade. Some of these dealers

^{had previously} up to 1954 operated opium syndicates in Malaya. In 1954 they were banished

and went to Thailand where they resumed their former occupation.

From Table 1, ^{page (11)} and with an addition for the transit Laos

and Thai opium, it can be estimated that the profits to the Thais involved

in the wholesale opium trade would ^{be about} ~~approximate~~ almost \$6 million annually.

Profits are also made from morphine and heroin, which are produced in

Thailand. It is believed that there are two refineries in Thailand near

the Thai-Burma border, one at Chiang Saen and one probably in Tachilek.

Another refinery was reported under construction in early 1956 at Chiang Dao.

The value and volume of the ^{morphine} morphine and ^{derivatives} derivatives ~~trade~~, however, cannot

be estimated without further information. The price of a pound of morphine

at the refinery, ^{however} is approximately equal to the price of the

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raw opium used to manufacture it plus a small processing fee. ~~This raw~~
opium at the refinery points is ^{worth} \$35 a pound, and morphine ~~is worth~~
^{42 44} \$212 a pound. This is a little more than ^{ratio of a} 6 to 1 ~~ratio~~ and reflects the
relationship between ^{the input} ~~import~~ of raw opium and the output of morphine. As
with raw opium, the profits in the morphine trade go to the middlemen
rather than ^{to} the producers.

There are a few reports indicating that Communists or Communist
sympathizers are involved in the ^{of Thailand} ~~Thai~~ illicit opium trade. ^{48/43} It is apparent,
however, that they do not dominate the trade. Available information indicates
that Communist participation is relatively minor.

The Thais purchase opium at the border areas for gold. The value of
such purchases is ^{about} ~~in the order of~~ ^{million} \$7,000,000 annually. ^{* estimated} Of the 1955 Thai
imports of gold of \$22 million, it is estimated that 50 to 75 percent
(^{million} \$11 to \$16.5 million) was illegally ^{46/44} reexported. It is reported that a
considerable part of the illegally reexported gold was used to pay for the
import of opium. Assuming that 50 percent ^{the gold} of ~~Thailand's~~ ^{from Thailand} illegally re-
exported ~~gold~~ was expended for this purpose, ^{for imported opium} Thailand gold expenditures ⁱⁿ
1955 ~~for imported opium~~ could have amounted to between ^{million} \$5.5 and \$8.25
million. Thus ^{ob} the estimate of ~~\$7~~ \$7 million as the value of Thai opium
purchases ⁷ for Burmese, Thai, and Laotian opium is reasonably consistent
with the possible level of payments.

* This estimate is comprised of the following
elements: approximately ^{million} \$5.3 ~~million~~ for the purchase

of 90 tons of opium from ¹⁷ Burma (Burma-Thai border
price) ~~and~~ \$540,000 for the purchase of 10 tons of
opium from ~~Laos~~ Laos. ^{SECRET} Approved For Release 2000/08/29 : CIA-RDP79T01049A001500260010-6
\$1,180,000 for the purchase of 20 tons of Laotian opium.

3. Indochina.

Laos is

The producing area for opium in ~~Indochina~~ ^{Laos} is ~~Laos~~. The main producers are the Meo, principally in the provinces of Xieng Khouang, ~~Sam Neua~~ ^{Houa Phan (Sam Neua)}, and Luang Prabang. The Yao in Nam Tha ^P province and the Kha of northwest Laos, also produce a small part of the total output. Production varies greatly with the weather. A severe rainy season will cut down the output as much as 60 percent. Production in an average year is probably about 125 tons of raw opium.

The average rate of production in Laos apparently has been little affected

by the occupation of part of the important producing area of ~~Sam Neua~~ ^{Houa Phan} by the Communist ^{48/46} the Pathet Lao. The Pathet Lao and their ~~Viet Minh~~ ^{Viet Minh} overlords do not attempt

to control opium production in areas of Laos occupied by them but instead

purchase opium from the tribes ~~with~~ with silver at more favorable prices

than the latter can obtain elsewhere. The Pathet and ~~Viet Minh~~ ^{Lao & Viet Minh} have been

very careful in dealing with the Meo tribes ~~and~~ whose fighting qualities

they respect. It is noteworthy that the Communist Pathet Lao authorities

share with the Thais and Burmese a reluctance to interfere with the

traditional opium production and traffic engaged in by the mountain tribes ~~people~~.

^{Estimate of the number} ~~The number of opium addicts and the source of illicit~~ ^{of} consumption is estimated as follows: ^{are given}

raw opium in Indochina in 1955 ~~estimated in Table 2.~~ ^{are given}

* Table 2 follows on p. 18

Table 2

Opium
Estimated Number of Addicts and Consumption of Illicit Raw Opium in Indo-China, 1955

<u>Province</u>	<u>Number of Addicts</u>	<u>Illicit Consumption (Metric Tons)</u>
South Vietnam	55,000 <i>a/</i>	30 <i>A/</i>
North Vietnam	60,000	45
Laos	10,000	8
Cambodia	<u>20,000</u>	<u>15</u>
Total <i>Indo-China</i>	<u>145,000</u>	<u>98</u>

- a. Approximately 15,000 of these addicts receive legal opium "disintoxication" doses from government stocks rather than illicit opium.

of opium
Annual opium consumption in South Vietnam is estimated [REDACTED]

[REDACTED] at about 36 to 48

tons a year. *47 47* Total number of addicts is estimated at 55,000, of whom about 40,000 are supplied by illicit opium, and the remaining 15,000 *who* are registered addicts *who* receive legal "disintoxication" doses. From these figures it is estimated that illicit consumption of opium may amount to about 30 tons a year.

No statistics are available of annual *of opium* opium consumption in North Vietnam, Cambodia, and Laos. The American Ambassador to Laos estimated that about half the opium produced is consumed locally. *501 7E* This estimate of consumption is probably not an estimate of personal consumption by the Laos *as* (since they number only 1.3 million) but an estimate of the amount retained by the Laos after the official collection. The larger part of the opium retained after the official collection was purchased by private

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opium dealers and resold in Indo-China, Thailand, Burma, and ^{Communist China.} Chinese markets.

A smaller part of retained opium was actually consumed in Laos. Assuming that North Vietnam, Laos, and Cambodia have a pattern of addiction and consumption similar to South Vietnam, annual consumption could amount to about 68 tons.

^{Thao} Total consumption in Indo-China, ~~thus~~, could amount to approximately 100 tons a year. ^{With} approximately 125 tons of opium are produced annually in Laos, approximately 25 tons of Laos opium are available for hoarding and for export to other countries.

Opium is sold quite openly in Laos. The American Consul at Vientiane, Laos, recently reported: "Opium can be purchased in village markets in ^(Houa Phan) Sam Neua, Luang Prabang, and Xieng Khouang provinces, as well as in the northwest. It can be bought right in the town of Xieng Khouang." With a readily available source of supply at competitive prices, opium smuggling from Laos is a relatively large-scale operation. Airplanes and trucks, both civilian and military, are used extensively for the clandestine movement of opium from the Laos collection centers to the markets.

South Vietnam is currently supplied principally from Vientiane, Laos, by plane and truck. The center for import is the ^{Cha Lon} Cholon district of Saigon.

Many Frenchmen are reportedly engaged in the opium trade both at the source of supply and along the smuggling routes. The French have been able to retain advisers and inspectors in almost all customs offices above the

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18th parallel the only customs offices are along the ^{Mekong River} ~~Mekong~~ -- at ^{Ban Houei} ~~Ban Houei~~

Sai, Pak Lay, Sanakham, Vientiane, and ^{Sane} ~~Paksane~~, and occupy key positions

in the central customs bureau in Vientiane. The French are also involved


in the smuggling of opium to Cambodia. A March 1956 news despatch reported

the seizure of 800 pounds of opium smuggled by plane from Laos to a secret

airstrip in the Cambodian jungle. The builder of the airstrip, a French

citizen, was arrested. 55/ 53

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 opium constitutes an important

source of revenue for Communist agents in South Vietnam. It is believed

that a part of the illicit supply of opium may be smuggled from Haiphong

and other North Vietnam ports. ⁱⁿ The retail end of the opium trade in

South Vietnam is reportedly in the hands of Chinese who since the recent

introduction of stricter measures against illicit opium traffic probably

are susceptible to blackmail by Communist agents. Although there is no

evidence at hand that this is taking place, a development of this type is

not impossible. The determination of whether the Communist North Vietnamese

are involved in the South Vietnam ^{see} opium traffic is not within the scope of

this ^{report} ~~paper~~ but the comments of the American ^{see} Ambassador to Vietnam are

55/ 54 pertinent. Commenting on the increased activity in late 1955 of the ^{law} ~~law~~

enforcement authorities in raiding and closing clandestine opium dens in

the ^{Cha Lon} ~~Cha Lon~~ area, he said: "It is believed probable that two factors

contribute to this increase in anti-narcotics activity, first the strong

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reformist views of Prime Minister Ngo Dinh Diem and secondly a desire to eliminate sources of revenue for the Binh Xuyen rebels, clandestine Vietminh agents, and other anti-government elements." 57/50

On the other hand, quantities of opium move from Laos across the Tonkin frontier into North Vietnam. 58/52 This traffic is not covert smuggling, since the ^{Minh} Vietminh control the border and do not interfere with the traffic. The quantities involved, however, are believed to be small.

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4. ~~Malaya and Singapore and Malaya~~

Two

One of the principal markets for Southeast Asian opium exports is and

The sources of supply, ~~the country of origin of~~ Singapore and the Federation of Malaya. Table 3 below gives an indication

of the importance of this source of opium relative to other supplying areas

in Table 3.

In 1955, 50 percent of the se

Iranian opium and 32 percent

Table 3
Sources of Supply of
Raw Opium Seized in
Singapore, by Country of
Origin ^a
1954-55

Sources of Supply ^{by} and Country

Country of Origin	1954		1955	
	Quantity	Percentage	Quantity	Percentage
Iran	1,834	46.5	2,333	50
Yunnan ^b	914	23	965	20
India	546	14	552	12
Burma	656	16.5	547	12
Unknown	9		498	6
Totals	3,959	100	4,695	100

a. ~~51~~

- b. This term is used by local traffickers to indicate opium received through Thailand and probably consists of illicit supplies originating in the adjoining areas of the Wa States and Kantung State in Burma, Laos, and North Thailand as well as ⁱⁿ Yunnan.

The ~~Malayan and Singapore~~ market, ^{in Singapore and Malaya} is estimated by the Singapore

Central Narcotics Intelligence Bureau to consume about 100 tons of illicit

opium annually. The total number of opium addicts is estimated ^{in Singapore and Malaya} in Malaya

and Singapore to be 115,000. There is no domestic production of raw opium

* Table 3 follows

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either data on seizures of
in Singapore or Malaya. Assuming that the ~~Singapore origin seizure data~~

are closely correlated with estimated ^{of} total illicit consumption and that

concerning Singapore as well to
the ~~origin~~ data may be applied ~~to the Federation of Malaya~~, the following *sources of supply*
and origin of raw opium for Singapore and Malaya are estimated to be
table may be derived:
as given in Table 4.

Table 4
by country of
~~Sources of Supply and Origin of Raw Opium, Singapore and Malaya~~
and
~~1954 and 1955~~

Country of Origin	Amount (Metric Tons)	
	1954	1955
Iran	46.5	50
Yunnan <i>a/</i>	23	20
India	14	12
Burma	16.5	12
Unknown		6

a. Designates opium shipped through Thailand and probably originating
in Burma, Thailand, Laos, and Yunnan. *Report footnote from Table 3*

indicated in Table 3 and 4
The ~~resulting~~ estimates are consistent with the known export potential of
the above countries. *These* ~~The above~~ tables indicate that, despite the proximity
of sources of supply of raw opium in the Burma-Thailand-Yunnan-Laos region,
the major part of the illicit supply of opium in 1955 came from Iran.

Singapore officials believe that the preference for Iranian opium rather
than for other types is *the result of the following a* due to two factors: (1) ~~the~~ Iranian opium is easily
imported and available in good supply, ^b and (2) Iranian opium has a very
high morphine content, (9 to 11 percent, ~~morphine as compared with the~~
6 to 9 percent ~~morphine content of~~ *the* Yunnan type).

** Table 4 follows on p.*

Iranian opium moves into the Malayan ~~area~~ market principally by sea.

The following Persian Gulf ^{on the 12} ports are active outlet centers for Iranian opium: ^aBehrein, ⁱDubai, and Aden. ^{ports which are outlets for} Additional Persian Gulf illicit opium outlet ports are Mena-Al-Ahmadi (near ^{KUWAIT}~~Kizmit~~), Fao ^{at the} (mouth of the Euphrates), Ras Tamurah (near ^aBehrein), Abadan, ^{KUWAIT}~~Kizmit~~, Basra, Khorramshahr, and Dammam ^m (near ^aBehrein). ⁴⁷⁵

There are several reports which furnish details of the movement of illicit opium from Iran to the Persian Gulf ^{on the 12} outlet ports. One report states that a small syndicate of ^aBehreini Arabs trades in opium on a very large scale from ⁱDubai to Aden, East Africa, and Singapore. The opium is procured from Iran and shipped to Aden concealed in cargo where it is transferred to ocean-going vessels. Another report states that fairly large quantities of opium are being smuggled into Basra, Iraq, from Iran via Muzaira and Shuwayib ^{62/61}. The source of this report states that Iraqi police share in the profits. It is also reported that the town of Qasbat, Iran, is the center for smuggling opium into ^{KUWAIT}~~Kuzmit~~. Small ships of Iranian or ^{KUWAITI}~~Kuzmiti~~ ownership are used to carry the opium from Qasbat to ^{KUWAIT}~~Kuzmit~~.

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Opium smugglers have also used commercial aircraft to move opium from

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Iran to the Malayan area. For example, the [REDACTED]

[REDACTED] (in late 1955) broke up a narcotics and gold-smuggling syndicate which was exploiting the facilities offered by the air-charter cargo aircraft on a regular run between England, ^aBehrein,

Pakistan, India, and the Far East, including Singapore.

Tables 3 and 4^{*} show that, next to Iranian opium, the most common *type* imported into the Malayan area is *Yunnan* opium. The classification of this opium as *Yunnan* opium does not mean that it was grown or exported from Yunnan province in Communist China. According to the Singapore Narcotics Bureau, this classification is applied to opium imported via Thailand and probably originating in Thailand, Burma, Laos and Yunnan.* Singapore custom officials, however, emphatically state that they have no evidence that opium being illicitly imported into Singapore comes from Communist countries.

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on
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Considerable information exists concerning the routes used to move *this* the *Yunnan* type of opium from Thailand to the Malayan area. The principal route is by sea from Bangkok. Singapore Narcotics Bulletin No. 2 for the second quarter of 1955 reports that nearly every ship arriving from Bangkok carries illicit narcotics drugs, usually opium.

It is probable that considerable quantities of opium move across the Thai-Malayan border. ~~64/12~~ Opium is shipped by rail from Northern Thailand to Haadyai, which apparently is the smuggling center of South Thailand. From Haadyai it moves out to the ports of Songkhla, Pattani, *and* Norathiwat and across the border to Malaya. The facilities of commercial airlines have also been used to smuggle opium from Bangkok to Singapore. The transport of opium by airplane, however, appears to be a small-scale and intermittently used means of smuggling.

* In earlier years this opium was classified "Thailand" opium; this classification is, of course, as misleading as the term, "Yunnan" opium.

← Opium from Burma is transported to Malaya principally from the port of Rangoon.

estimated value of of opium into Malaya and Singapore, by The importance of opium imports to the Malayan economy can easily be country of origin or by source, as given in Table 5. The importance to the Malayan economy of such imports can easily be seen by an examination of Table 5 and trade returns. In 1955, opium was the sixth largest import into Malaya and Singapore.

Table 5

Imports of Opium into Singapore and Malaya
Estimated Landed Value of Malayan Area Opium Imports, by Country of Origin or Source, 1955

Country of Origin or Source	Estimated Imports (Metric Tons)	Value per Metric ton (U.S. dollars)	Total C.I.F. Value (U.S. dollars)
Iran	50	396,995	19,849,750
Yunnan	20	272,003	5,440,060
India	12	459,491	5,513,892
Burma	12	308,761	3,705,132
Unknown	6	356,800	2,140,800
TOTAL C.I.F. value of opium imports			\$36,649,634

a. 45 64/ The above values have been expressed on a c.i.f. basis; however, the

cost of importing opium into Malaya is very high. Bribes alone are reported to account for almost half of the landed costs. In 1955, opium could be purchased in Bangkok at \$105,831 a metric ton, or approximately 39 percent of the price in Malaya. Assuming that this percentage is

representative, the wholesale f.o.b. value of opium at the outlet points

by country of origin can be estimated as follows: as given in Table 6.

Table 5 follows on p.

Table 6 follows on p.

Table 6 follows on p.

Wholesale
Exports of
Estimated F.O.B. Value of Opium Exports to the Malayan Area, by Country of Origin, 1955. (U.S. dollars)

Table 6

Country of Origin or Source	Approximate F.O.B. Value of Opium
Iran	\$ 7,741,402
Yunnan	2,121,623
India	2,150,418
Burma	1,445,001
Unknown	834,912
TOTAL	\$14,293,356

a. Free on board
b. ~~Free on board~~
Opium also moves to Singapore for transshipment to other world

markets. Seizure reports indicate that opium from Singapore moved to Indonesia, to the United Kingdom, and to Mauritius. The amount of opium transshipped annually from Singapore and Malaya is not known but is probably small in comparison with the estimated 100-ton consumption in the Malayan area.

c. For the
See discussion of "Yunnan" opium, p. 8, above.

Malayan area
of Singapore and Malaya

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5. Hong Kong and Macao.

Seizure reports indicate ^{that} Thailand ^{is} to be the principal source of opium and opium derivatives imported into Hong Kong, ^{that Burma and the} and India ~~to be~~ a secondary source. ^{6/11/67} Macao's sources are reported to be similar to those of Hong Kong. ^{10/1/70}

In both cities there are refinery facilities. In 1955, Macao had at least four refineries. ^{20/10/68} [REDACTED] in

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1955 there existed in Hong Kong elaborate clandestine manufacturing activities. ^{10/1/70} Unlike the rest of Southeast Asia, the Hong Kong and Macao markets are not essentially opium-smoking markets. Smoking heroin and heroin "red-ball pills" appear to be preferred by the addicts.

^{10/1/70} Annual opium consumption of Macao and Hong Kong, estimated on the basis of 10,000 addicts, apparently would not exceed the equivalent of 10 tons of raw opium. Probably larger than this import for domestic consumption is the import for transshipment. Seizure reports indicate that the ^{US} United

States and Japan imported heroin from Hong Kong. ^{10/1/70} [REDACTED]

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[REDACTED] opium from Hong Kong also reaches other markets.

Seizure reports probably provide a very rough indication of the amount of opium and opium derivatives imported into Hong Kong. Hong Kong seizures in 1955 amounted to about 60 percent of Malayan and Singapore seizures. ^{7/1/70} It would be expected, however, that Hong Kong authorities would be considerably more effective in preventing opium smuggling, since they do not have to guard a long, thinly settled coastline, and domestic conditions are

more settled. Annual Hong Kong imports, accordingly, might be estimated to amount to the equivalent of ^{from to} 20,30 tons of opium.

Macao is probably a considerably less important market than Hong Kong, and much of its opium export goes through Hong Kong and is included in the estimate of Hong Kong imports. Perhaps the equivalent of ^{from} an additional ^{to} 5,10 tons of opium ^{also} is imported by Macao for consumption and export to markets other than Hong Kong.

The great majority of the Hong Kong seizures report ^{that} Thailand ^{is} as the origin of the opium and opium derivatives. This ^{is} obviously ^{is} not the actual origin of the opium but merely the outlet country. The Hong Kong imports probably originate mainly in Burma, with smaller amounts ^{originating in} from Thailand and Laos and Yunnan.

^{(which to be about}
~~total~~ total imports into Macao and Hong Kong are estimated in the order of the equivalent of ^{from to} 25,40 tons of opium and exports ^{to be from to} at 15,30 tons.

Production of Opium in Iran and
IV. The Principal Illicit Markets and Production in the Near East and South Asia.

Apart from the Far East there is only one other area where an extremely large market for opium exists. The problem of opium addiction is very serious in the Near East and in South Asia. Perhaps the worst problem exists in Iran, where according to a press statement made by the Minister of Health, in 1955 there were 1,500,000^{million} opium addicts. He also stated that total opium production in the past ¹⁰ten years had varied between 700 and 1,200 tons annually, of which only an annual average of 90 tons ^{was}were legally exported.

Other producing countries in this region from which opium is exported clandestinely are Turkey, Afghanistan, India, and Pakistan. *24/74*

Opium from the Far East is quite clearly not an important factor in this area. Production facilities for the manufacture of morphine and heroin in 1955 existed/practically all the ^{IN}above countries. In addition, refineries probably were operating in transit zones. In this connection, the exports of Lebanon to the United States are of some significance. *24/75*

I. Iran.

24/76
The ~~US~~ ^{8/12}Embassy agricultural attache estimated that in 1954, production of opium in Iran was approximately 850 tons. Of the 850 tons, ^{24/76}estimated *was* ~~was~~ estimated *that*

150 tons might have been clandestinely exported from the country. Seizure

25X1C [REDACTED] indicate that Iranian opium in substantial quantity was exported to Singapore and Malaya. *24/77* Iranian opium also was clandestinely exported to India, Pakistan, Aden, the United Kingdom, and the Netherlands.

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Reports indicate that, despite the complete ban on opium production in Iran in 1956, ~~that~~ ^{some} clandestine production still continues.

^{Iranian}
The Minister of Public Health has estimated a daily consumption of opium in Iran of about 1 ton. This estimate would appear to be extremely low in view of his own estimate of 1,500,000 ^{million} addicts, since it would represent a daily consumption per addict less than half that of the Southeast Asian addicts. An annual opium consumption before 1956 of 500,600 tons would appear likely in view of the number of addicts and what is known about production and exports.

2. B. India.

^{production of opium in India}
~~Production of opium~~ In 1951-52 was 234 metric tons. This production

was under relatively firm control of the Central Government.

^{It is estimated} ~~that~~, in 1951-1952, approximately 15 tons

was smuggled from Madras to Singapore and Malaya. Seizure data indicate

that 1955 exports to ^{and Malaya} Malaya and Singapore were about 12 tons, or slightly

less than the 1951-1952 estimate of Indian illicit exports to this area. *

Illicit opium from India also was exported to Hong Kong, the Netherlands,

and the United Kingdom.

3. Turkey.

^{of Turkey have}
The Central Statistical Office estimated that 44,000 hectares were planted to opium poppy in 1955. Production in 1955 is estimated at 300 tons

compared ^{with the} ~~to~~ 1954 ^{in 1954} production of 130 tons. It is estimated that ^{from} about 10 to 15

* Table 4, P. 24, above.

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tons escaped the governmental official buying program. A substantial portion of the ^{to} 10,15 tons presumably could be illicitly exported. Seizure data indicate that Turkish opium was exported to Egypt and the United States. *W/ 86*

4. Pakistan.

Opium is grown in the ^{Jadun} ~~Jadun~~ area of the North West Frontier Province under governmental supervision. *W/ 85* In 1952 the government collected approximately 15 tons, principally from this area. Current production and collection probably has increased since 1952 as the government planned to increase domestic production to 50 percent of its domestic legal requirements (legal requirements in 1952 were estimated at 45 ~~metric~~ tons).

There is reported illicit cultivation of opium and Indian hemp in the North West Frontier Province and Tribal areas and ⁱⁿ Baluchistan, ^{Central} Chentral, and Swat.

Although Pakistan is believed to be a net importer of illicit opium, there ^{are} are indications that illicit opium is exported from West Pakistan to other areas.

5. Afghanistan.

Estimates of average annual production of opium in Afghanistan can not be made with any great degree of preciseness. A U.S. Department of Agriculture botanist visited ^{the} Jurim and Kishim districts of Radakshan Province in late 1954 and estimated total Afghan production at 12 tons. *W/ 85* The Embassy reports that production in 1955 probably ^{will} exceed that of 1954. *W/ 85* An early 1955 report states that the Afghan government had requested UN permission to sell on the legal world market about 40 tons annually. This request suggests that production in 1955 probably was in excess of 12 tons; however, it is

however,
believed that the 40 tons request ^{of} ~~was~~ ^{were} for purposes of bargaining and
the amount of 1
probably ~~was~~ ^{were 500} double current production. It ~~is~~ ^{is also} believed that part
901
of Afghan production is exported clandestinely.

for illicit opium
V. Illicit Markets in Other Areas of the World

for illicit opium
The markets in the other areas of the world are small relative to
East, the
the markets of the Far and Near East, and the South Asian markets. The

Done
United Nations Commission on Narcotic Drugs stated in its annual 1955 report

that opium traffic in Europe and Africa is unimportant. The North American

principally
market apparently is supplied with opium from Mexico and Lebanon. In

relatively
South America, opium traffic is unimportant compared to the movement of
with
other drugs.

VI. Conclusions.

The international illicit opium traffic is conducted in an atmosphere of secrecy and intrigue. This secrecy, ^{as well as} ~~in conjunction with~~ the fact that the trade is carried on by many entrepreneurs, militates against the making of precise estimates. Despite these disadvantages, it ^{is} ~~was~~ possible to obtain sufficient reliable information to characterize ~~Communist China's~~ ^{the} ~~possible involvement~~ ^{of Communist China} in the opium situation in Southeast Asia and in other world markets as follows:

1. ~~(a)~~ There is a small export of raw opium produced by minority tribes ~~in~~ in Yunnan Province, Communist China, to Burma. The earnings to the producers from this export would not exceed \$500,000 annually.
2. ~~(b)~~ Communist China probably permits this export for political purposes, that is, it does not want to precipitate an open break with the unruly tribal producers by interfering with an important traditional economic and social pursuit.
3. ~~(c)~~ The major opium producers in Southeast Asia are Burma and Laos. The production of these two countries coupled with Thai production supplies the large domestic markets and provides a ~~sizeable~~ ^{significant} export potential. The Burmese, Thai, and Laotian governments permit this production for political and economic considerations similar to those attributed to Communist China.
4. ~~(d)~~ ^{exported} ~~Export~~ opium from Southeast Asia moves principally through Bangkok, Thailand, and, to a lesser extent, through Rangoon, ^{and} Burma, supplying significant

quantities of opium to Malaya, Hong Kong, Macao, and Indonesia. Singapore, Hong Kong, and Macao are important intermediate transit points for the supply of opium to other world markets. Refinery facilities to service the opium-derivative markets exist in Thailand, Macao, Hong Kong, and in the major consuming areas. There is no evidence indicating that Communist China exports opium derivatives. Spasmodic efforts of the affected governments to suppress this trade are nullified by the tolerant attitude of the Southeast Asian people towards opium addiction; by the venality of poorly paid government officials; and by the realization that, if opium does not move through their country, it will move through an adjoining country.

(S) The Southeast Asian producers receive a very small return for their opium crop. Opium produced for the illicit trade is apparently in surplus supply. This surplus may be ^{the result of} ~~due to~~ the virtual disappearance of the former large Chinese market since the generally successful opium-addiction-suppression campaign ⁱⁿ of the Chinese Communist government ~~in~~ ⁱⁿ ~~Mainland China~~ ^{mainland}.

(S) The lucrative profits in ~~the~~ opium traffic are ~~substantially~~ earned by many middlemen and by government officials. Available evidence suggests that these dealers and government officials ~~on the whole~~ are engaged in this trade for personal gain. Members of local Communist parties in the Far East and ⁱⁿ Southeast Asia may be involved in the trade in order to finance Communist activities, but there is no available evidence indicating

that such involvement is substantial or systematically directed by the Chinese Communists. The trade appears to be dominated by non-Communists.

7. ~~(S)~~ North Vietnam and North Korean agents may be involved in the opium traffic in South Vietnam and South Korea, however, Because Communist China is not patently and directly involved in this trade, ^{however,} this aspect has not been developed in this ^{memorandum.} ~~paper.~~

8. ~~(S)~~ In Near East and South Asian countries, the production and illicit consumption of opium and opium derivatives ^{are} ~~is~~ probably even greater than in Southeast Asia. The countries in these regions are also important suppliers to the world illicit markets, ^{It is estimated that} Iran, alone, supplied ~~an estimated~~ 150 tons to international markets in 1955. Seizure reports indicate that Turkish opium is an important factor in the supply of Middle East countries.

Morphine and heroin-processing facilities and trade are under the control of non-Communists in this general region. There ~~certainly~~ does not appear to be any evidence of Communist Chinese influence in this trade.

9. ~~(S)~~ Compared ^{with Near East and Southeast Asia} to the ~~two great opium-consuming regions outlined above,~~ the remaining illicit markets are relatively unimportant. Opium traffic in Europe and Africa is not important. Seizure reports indicate that the North American market ^{principally} is supplied with opium which either originated in Mexico or Lebanon or was transshipped from these countries. One United States seizure report indicates that Communist China was the suspected origin of a shipment of contraband heroin which was transshipped from Hong Kong.

Hong Kong authorities and United States Treasury representatives in Hong Kong

state, however, that they have no evidence that opium or derivatives from
Communist China enter Hong Kong. With this possible exception, seizure
reports indicate that the world illicit markets are supplied with contra-
band opium and derivatives produced in Free World countries, and [REDACTED] 25X1C
[REDACTED] ^{opium} the world trade is in the hands of non-Communists.

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APPENDIX A

Methodology

The general methodology used in this ^{memorandum} ~~report~~ ⁽¹⁾ was as follows: ~~a~~ survey, based on intelligence and seizure reports, was made of the origin of opium which moves to the principal markets; ⁽²⁾ ~~a~~ rough calculation was made of the amounts of opium required by the illicit markets; ⁽³⁾ ~~a~~ similar survey was made of the groups involved in the marketing of opium. As a result of ^{these three} ~~steps a through e~~, it was determined that adequate supplies of illicit opium produced in the Free World moved to the illicit markets under the direction of Free World contraband traders. Communist China's ^{by Communist China} substantial participation in this trade was therefore ruled out.

The illicit opium trade is characteristically carried out in great secrecy. This secrecy made it impossible to reconcile all the elements of the various estimates. For example, one of the key estimates indicates that, on the average, approximately 150 tons of opium are exported ^{from Laos, Thailand, and Burma} ~~from Laos, Thailand, and Burma~~. A tabulation of imports by various markets with an addition for total seizures leaves approximately 35 tons of this opium unaccounted for. This discrepancy, however, is not serious, since it does not affect the main conclusions of the ^{memorandum} ~~report~~. Errors could have resulted from one or more of the following factors:

1. (a) The estimated 150 tons of opium exports (opium and derivatives -- derivatives were converted to their raw opium equivalent) were broken down to a 120-ton transit movement through Thailand and a 30-ton export through Rangoon.

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The former estimate is based on an ^{estimate} judgement that seizures probably represent 25 percent of total transit movement. ^{estimate} This ~~judgment~~ could be in error. The latter estimate appears to be relatively firm.

2. (b) The assumption was made that the origin of opium imported into Malaya is identical with the origin of opium imported into Singapore. This assumption may be erroneous, and Malaya may import a greater percentage of ^{its} ~~her~~ annual imports from Thailand than does Singapore.

The opium traffic from Burma to Thailand is estimated to amount to approximately 90 tons. This estimate is based on the following considerations:

- (a) Total transit traffic through Thailand is estimated to be 120 tons.
- (b) Approximately 10 tons were available for export from Thai production.
- (c) ~~Approximately 20 tons~~ ^{No} 25 tons were available for export through Thailand from Laos production.
- (d) The remainder of the transit opium, approximately 90 tons, entered Thailand through Burma and was produced principally in Burma. Opium from Yunnan supplemented the Burmese production.

There are a considerable number of unreliable reports alleging that Communist China is substantially involved in the illicit export of opium and derivatives to the Free World. Each of these reports had to be evaluated. This evaluation required extensive research in ^{to} the entire world ^{of} opium situation in order to determine the actual sources of illicit narcotics. The unreliable reports were not only misleading in the initial stages of the project but also made it necessary to extend its scope.

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APPENDIX B

Gaps in Intelligence

The most serious gap in intelligence is the lack of an independent estimate for ^{the} ~~opium~~ ^{poppy} production in Burma. It is possible that data could be obtained from Burmese local officials which would allow an estimate to be made based on acreage under cultivation or number of people growing ^{opium} ~~poppy~~ rather than by the method used in the report.

There is also a deficiency of reliable information from Communist China ^{the} ~~on opium~~ ^{production} Interrogation of refugees and repatriates on this subject presumably could fill this gap. More reports on the extent of opium production by the Chinese minority ethnic groups probably could be obtained from Chinese who have fled from Yunnan into Burma and Thailand.

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